



# House of Representatives

General Assembly

**File No. 249**

January Session, 2011

Substitute House Bill No. 6462

*House of Representatives, March 28, 2011*

The Committee on Housing reported through REP. BUTLER of the 72nd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT ESTABLISHING A PRIORITY CATEGORY FOR THE RENTAL HOUSING REVOLVING LOAN FUND.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 8-37vv of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2011*):

3 (a) As used in this section, (1) "eligible building" means a structure  
4 located in a distressed municipality, as defined in section 32-9p, that  
5 contains not more than twenty residential units, and may contain an  
6 owner-occupied unit, and (2) "eligible costs" means costs incurred to  
7 make renovations and repairs to bring an eligible building into  
8 compliance with the State Building Code or state or municipal health  
9 or safety codes, or otherwise to make an eligible building suitable for  
10 rental to tenants.

11 (b) There is established a revolving loan fund to be known as the  
12 "Rental Housing Revolving Loan Fund". The fund may be funded from  
13 moneys allocated to the program established by section 8-37pp or from

14 any moneys available to the Commissioner of Economic and  
15 Community Development or the fund from other sources. Investment  
16 earnings credited to the fund shall become part of the assets of the  
17 fund. Any balance remaining in the fund at the end of any fiscal year  
18 shall be carried forward in the fund for the next fiscal year. Payments  
19 of principal or interest on a low interest loan made pursuant to this  
20 section shall be paid to the State Treasurer for deposit in the Rental  
21 Housing Revolving Loan Fund. The fund shall be used to make low  
22 interest loans pursuant to subsection (c) of this section and to pay  
23 reasonable and necessary expenses incurred in administering loans  
24 under this section. The Commissioner of Economic and Community  
25 Development may enter into contracts with nonprofit corporations to  
26 provide for the administration of the Rental Housing Revolving Loan  
27 Fund by such nonprofit corporations, provided no low interest loan  
28 shall be made from the fund without the authorization of the  
29 commissioner as provided in subsection (c) of this section.

30 (c) (1) The state, acting by and in the discretion of the Commissioner  
31 of Economic and Community Development, may enter into contracts  
32 to provide financial assistance in the form of low interest loans to  
33 owners of eligible buildings for eligible costs. The commissioner may  
34 require owners of eligible buildings who apply for a low interest loan  
35 pursuant to this section to submit a copy of the report filed by the  
36 building inspector listing code violations, and an estimate of the cost of  
37 repairs to correct such violations. The commissioner may establish  
38 priorities for the low cost loans provided pursuant to this program,  
39 including, but not limited to, types of repairs financed, the location of  
40 the eligible building, ability of owners to repay such loans, and the  
41 extent to which any repairs will extend the useful life of the eligible  
42 building.

43 (2) The commissioner shall establish a priority for low interest loans  
44 pursuant to this section for owner-occupants of buildings containing at  
45 least two but not more than four residential units, including the unit  
46 occupied by the owner. Low interest loans made within such priority  
47 category may, at the discretion of such commissioner, include interest-

48 free loans, deferred payment loans payable at the time that the  
49 building is sold or otherwise transferred, and forgivable loans for  
50 which the principal balance is reduced based upon the length of time  
51 that the owner continues to occupy the building.

52 (d) The commissioner may adopt regulations, in accordance with  
53 the provisions of chapter 54, to specify application procedures and  
54 priorities for providing low cost loans pursuant to this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2011	8-37vv

**HSG**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill, which establishes a priority for certain low-interest loans within the Rental Housing Revolving Loan Fund, would not result in any fiscal impact to the state or municipalities.

It should be noted that the Rental Housing Revolving Loan Fund is not currently funded.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

**OLR Bill Analysis****sHB 6462*****AN ACT ESTABLISHING A PRIORITY CATEGORY FOR THE RENTAL HOUSING REVOLVING LOAN FUND.*****SUMMARY:**

This bill requires the Department of Economic and Community Development (DECD) commissioner to establish a priority category under the Rental Housing Revolving Loan Fund for low-interest loans made to owner-occupants of buildings with between two and four residential units, including the unit the owner occupies. By law, this fund provides low-interest loans to owners of eligible buildings in a distressed municipality for eligible costs (see BACKGROUND).

Loans made under the bill's priority category may, at the commissioner's discretion, include (1) interest-free loans; (2) deferred payment loans, due when the building is sold or transferred; and (3) forgivable loans under which the principal balance is reduced based on how long the owner occupies the building. Existing law, unchanged by the bill, authorizes the commissioner to establish certain priorities under the fund for low cost loans, including the (1) type of repair, (2) building location, (3) owner's ability to repay, and (4) extent to which repairs will extend a building's life.

EFFECTIVE DATE: October 1, 2011

**BACKGROUND*****Rental Housing Revolving Loan Fund: Eligibility and Funding Sources***

The Rental Housing Revolving Loan Fund provides building owners with low-interest loans to renovate and repair apartment buildings in distressed municipalities to (1) comply with the State Building Code or other state or municipal health codes or (2) otherwise

make buildings suitable for tenants. To be eligible, a building must have no more than 20 residential units, and may include an owner-occupied unit.

The fund consists of (1) money the DECD commissioner may allocate from an affordable housing assistance program established in 2001, (2) money available to the commissioner or the revolving loan fund from other sources, (3) the fund's investment earnings, (4) fund balances carried forward from prior years, and (5) loan payments.

### ***Distressed Municipalities***

Table 1 shows the distressed municipalities designated by DECD for 2010.

**Table 1: Distressed Municipalities — 2010**

Ansonia	Meriden	Putnam
Bridgeport	Naugatuck	Sprague
Bristol	New Britain	Torrington
Brooklyn	New Haven	Waterbury
Derby	New London	West Haven
East Hartford	North Canaan	Winchester
Enfield	Norwich	Windham
Hartford	Plainfield	
Killingly	Plymouth	

### **COMMITTEE ACTION**

Housing Committee

Joint Favorable Substitute

Yea 11 Nay 0 (03/10/2011)